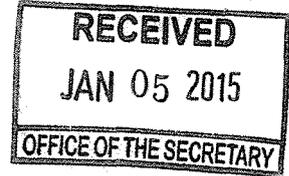


UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16000



In the Matter of

**HOUSTON AMERICAN ENERGY CORP.,
JOHN F. TERWILLIGER, JR.,
UNDISCOVERED EQUITIES INC., and
KEVIN T. McKNIGHT**

Respondents.

**MOTION FOR ORDER TO SHOW CAUSE OR, IN THE ALTERNATIVE, MOTION
FOR LEAVE TO MOVE FOR SUMMARY DISPOSITION**

The Division of Enforcement (the "Division") hereby moves the Law Judge to issue an order to show cause, by a date to be determined by the Law Judge, why this proceeding should not be determined against Respondents Kevin T. McKnight and Undiscovered Equities Inc. (collectively, "Respondents") pursuant to Rule 155 of the SEC Rules of Practice. In the alternative, the Division hereby moves pursuant to Rule 250 of the SEC Rules of Practice for leave to move for summary disposition as to the claims against Respondents.

The Division further moves pursuant to 161(a) for an order adjourning the hearing in this proceeding, which is scheduled to commence on January 12, 2015, in Washington, DC, in the event either of its alternative motions is granted.¹

¹ The Division and respondents Houston American Energy Corp. and John F. Terwilliger have reached a settlement in principle and have separately moved the Law Judge pursuant to Rule 161(c)(2) of the SEC Rules of Practices for a stay of the hearing in this proceeding.

FACTUAL BACKGROUND

The facts of this case are not in dispute. Respondents have admitted all material facts against them in their answer (“Answer,” attached as Exhibit A) to the Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act Of 1934 (“OIP”) and in a letter to the Division from their counsel (PX-156, attached as Exhibit B).

Undiscovered Equities is a Florida Corporation based in Boca Raton, Florida. (OIP at ¶ 3; Answer at 2.) It provides public relations and other promotional services to small-cap publicly traded companies. (*Id.*) McKnight is Undiscovered Equities’ President and owner. (OIP at ¶ 4; Answer at 2.)

In November 2009, Houston American Energy Corp. (“Houston American”) retained Undiscovered Equities to, among other things, “implement . . . an ongoing program to increase the invest community’s awareness of [Houston America].” (OIP at ¶ 3; Answer at 2.) In exchange, Houston American paid Undiscovered Equities \$20,000 per month for at least six months. (OIP at ¶ 47; Answer at 2.) At the time, Houston American’s common stock was listed on the Nasdaq Capital Market under the ticker symbol “HUSA.” (*See* PX-006, Houston American Energy Corp. From 10-K for FYE Dec. 31, 2008 at p. 1 (March 16, 2009), attached as Exhibit C.)

In November 2009, Undiscovered Equities posted on its website and subsequently distributed by email both that article and several corporate press releases and technical charts regarding Houston American. (OIP at ¶ 48; Answer at 2.) On January 1, 2010, Undiscovered Equities posted its list of “Top Picks for 2010,” which included Houston American. (*Id.*) Undiscovered Equities subsequently posted anonymous links to internet message boards that

directed potential investors back to their articles about Houston American. (OIP at ¶ 50; Answer at 3.)

In its postings and emails, Undiscovered Equities disclosed the fact that it was compensated by Houston American but did not disclose the amount of compensation it received. (OIP at ¶ 51; Answer at 3-4 (“Respondents agree that at no time did they disclose a detailed, actual amount of compensation anywhere.”); PX-156 at 2.)

When subpoenaed for investigative testimony by the Commission in May 2013, McKnight invoked his Fifth Amendment right against self-incrimination as to all questions pertaining to Undiscovered Equities Inc. and consulting services it provided to Houston American Energy Corp. (*See* Excerpts of McKnight Transcript, attached as Exhibit D, 21:8-12 (“Q: Mr. McKnight, is it your intention to assert your Fifth Amendment rights against self-incrimination with respect to any question I may ask concerning Undiscovered Equities Inc.? A: Yes.”), 29:5:12 (Q: Mr. McKnight, is it your intention to assert your Fifth Amendment right against self-incrimination . . . with respect to any question I may ask concerning the consulting services that Undiscovered Equities provided to Houston American? A: Yes.”).)

On December 31, 2014, Respondents indicated to the Division that they “cannot defend [themselves] in this matter” and that they realize “that this results in a default, or its equivalent under SEC rules.” (Email from Valentin Rodriguez to Alfred Day, Dec. 31, 2014, attached as Exhibit E.)

ARGUMENT AND AUTHORITIES

I. An Order to Show Cause Is Appropriate

When a respondent has indicated it does not intend to defend itself in an administrative proceeding, the Law Judge may issue an order to show cause why the proceeding should not be

determined against it pursuant to Rule 155. *In the Matter of Alicia Byran*, Rel. No. 697, 2014 WL 5361466, at *1 (October 22, 2014). In light of Respondents' recent representation, such an order to show cause is appropriate.²

II. In the Alternative, This Matter Is Ripe For Summary Disposition

Section 17(b) of the Securities Act prohibits “the publication of any notice, circular, advertisement . . . or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received from an issuer, without fully disclosing the receipt of such consideration *and the amount thereof.*” 15 U.S.C. §77q(b) (emphasis added). Scierer is not an element of a Section 17(b) violation. *See SEC v. Gagnon*, 2012 WL 994892, at *10 (E.D. Mich. March 22, 2012).

The Undiscovered Equities Respondents have admitted all facts essential to establish their liability. They have admitted to publishing multiple advertisements or communications describing Houston American, a publicly traded company, without disclosing the amount of their compensation.

The only defense the Undiscovered Equities Respondents have ever articulated against the Division's charge is that they “did not have the ability to disclose specifics with respect to [Undiscovered Equities'] compensation” because Undiscovered Equities provided many services to Houston American in addition to publishing advertisements and communications on Houston American's behalf. (PX-156 at 2.) That defense is nowhere in the statute, and the Division is aware of no precedent that to support its recognition here. As this proceeding presents only a

² Rule 155 allows for entry of default in the event a party fails to appear at a conference of which it has been notified. *See* Rule of Practice 155. Should Respondents fail to appear at the prehearing conference scheduled for January 6, 2015, the Division requests that they be deemed in default and that the Law Judge set a briefing schedule regarding appropriate remedies.

legal issue as to the adequacy of the Undiscovered Equities Respondents' disclosure, summary disposition is appropriate. *See* SEC Rule of Practice 250.

In the event Respondents indicate that they will defend themselves in this action, the Division moves for leave to file a motion for summary disposition and will be prepared to discuss a briefing schedule with the Law Judge and Respondents at the prehearing conference scheduled for January 6, 2015.

III. Adjournment of the Hearing Is Appropriate

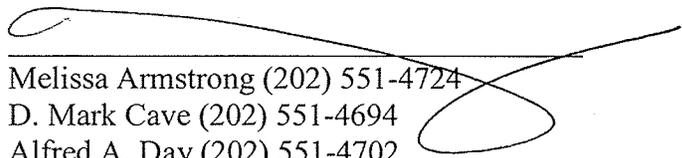
In the event the Law Judge grants either of the Division's alternative motions, adjournment of the hearing on the merits, scheduled to begin on January 12, 2015, is appropriate. *See* SEC Rule of Practice 161(a) (the hearing officer may adjourn any hearing for good cause). Good cause exists for postponement of the hearing because it will conserve judicial resources. Further, additional time is needed to determine (1) whether Respondents intend to defend this matter and, if so, (2) whether summary disposition is appropriate given Respondents' prior admissions.

CONCLUSION

For the foregoing reasons, the Division respectfully requests that its motion be granted.

Dated: January 5, 2015

Respectfully submitted,


Melissa Armstrong (202) 551-4724
D. Mark Cave (202) 551-4694
Alfred A. Day (202) 551-4702
U.S. Securities and Exchange Commission
100 F. St., N.E.
Washington, D.C. 20549
Counsel for Division of Enforcement

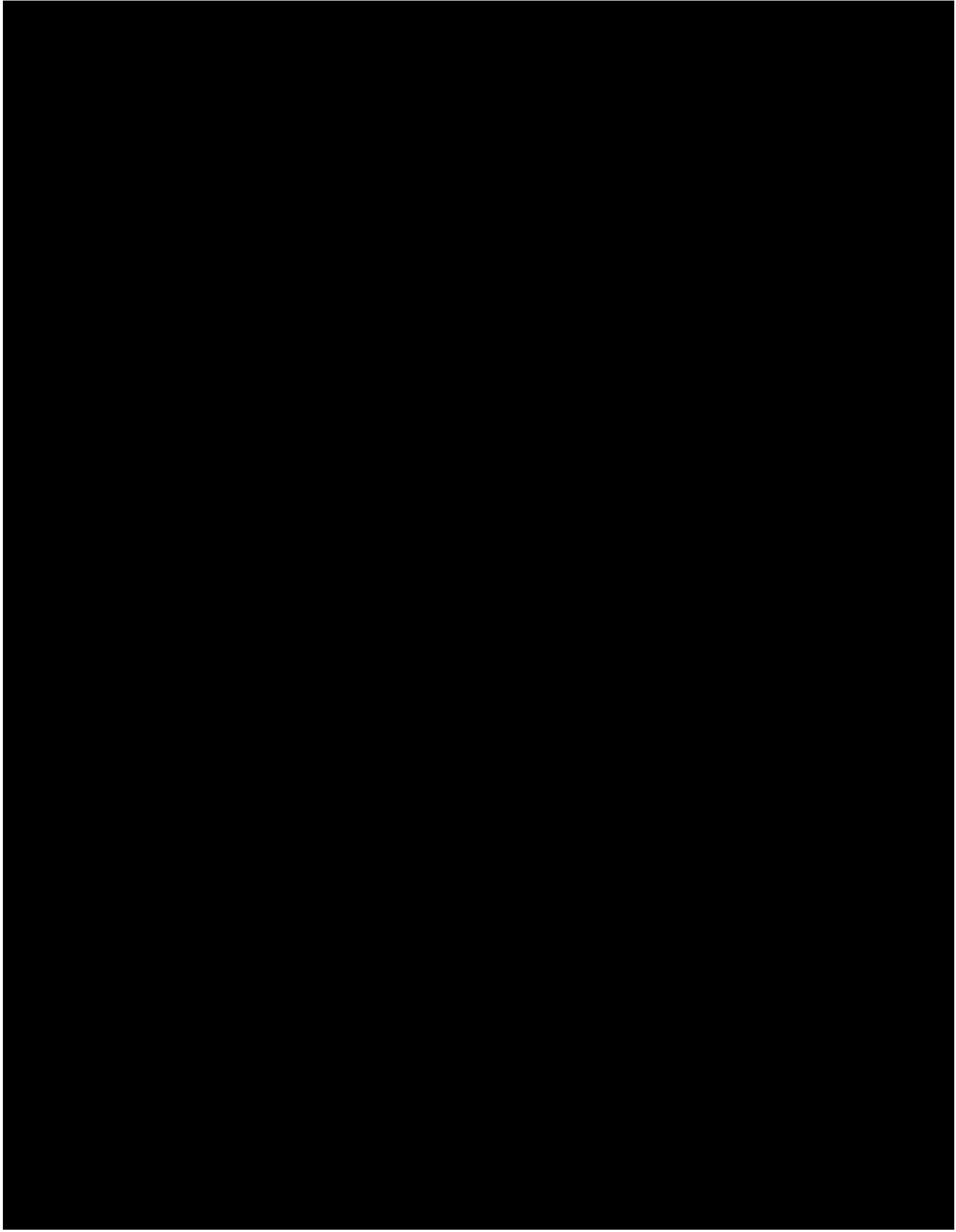


EXHIBIT A

UNITED STATES OF AMERICA

Before the
SECURITIES AND EXCHANGE COMMISSION

Administrative Proceeding
File No. 3-16000

In the Matter of:

**HOUSTON AMERICAN ENERGY CORP.,
JOHN F. TERWILLIGER, JR.,
UNDISCOVERED EQUITIES, INC., and
KEVIN T. MCKNIGHT,**

Respondents

**ANSWER OF RESPONDENTS UNDISCOVERED EQUITIES
AND KEVIN T. MCKNIGHT**

Respondents, **UNDISCOVERED EQUITIES, INC., and KEVIN T. MCKNIGHT**, by and through their undersigned counsel, hereby answer the allegations of the Division of Enforcement in its Order Instituting Cease-and-Desist Proceedings.

Respondents deny all allegations in the Order to the extent they assert or suggest that Respondents acted fraudulently or negligently or to the extent that they assert or suggest that any of Respondents' actions constitute violations of the securities laws of the United States.

Respondents further respond to the allegations in the Order as follows:

Section I: To the extent that Section I of the Order contains legal conclusions, no response is required. Otherwise, Respondents deny the allegations contained in Section I.

Section II: A. Respondents

Respondents agree with the characterization of Houston American Energy Corp. However, Respondents are without knowledge as the issue of where the stock was listed, or where it is

currently listed. Respondents agree with the characterization of John Terwilliger. However, Respondents are without knowledge about the issue regarding how his stocks were pledged. Respondents agree with the characterization of Undiscovered Equities, Inc., and Kevin T. McKnight.

Section II: B. Other Relevant Entities

Respondents are without sufficient knowledge to admit or deny the characterization of the relevant entities.

Section II: C. False and Misleading Statements Concerning the CPO-4 Block

Respondents are without sufficient knowledge to admit or deny the allegations in paragraphs 1 through 35, as Respondents were not privy to such information. Furthermore, no response is required because these paragraphs contain no factual allegations pertaining to Respondents.

As to paragraph 36, Respondents admit that such announcement occurred.

As to paragraphs 37 through 45, Respondents are without sufficient knowledge to admit or deny the allegations therein. Furthermore, no response is required because these paragraphs contain no factual allegations pertaining to Respondents.

As to paragraphs 46 and 47, Respondents admit.

As to paragraph 48, Respondents admit that beginning in November 2009 Undiscovered Equities posted a four page article about Houston American on the website. Respondents further admit that Undiscovered Equities distributed that article along with several corporate press releases and technical charts regarding Houston American to subscribers only, through an email system which included a disclaimer link. However, Respondents deny that Undiscovered Equities posted its list of "Top Picks for 2010 on "November 29, 2009," and instead admit that the date should be "January 1, 2010." Respondents are without sufficient knowledge to admit or deny the allegations

regarding whether Terwilliger and Houston American provided McKnight and Undiscovered Equities with false and misleading statements, as more fully alleged herein. Respondents deny that they had knowledge of false and/or misleading statements by either Houston American or Terwilliger.

As to paragraph 49, Respondents are without sufficient knowledge to know whether Terwilliger and Houston American “intentionally or recklessly” provided McKnight and Undiscovered Equities with false and misleading statements, as more fully alleged therein. Respondents deny that they had any knowledge of false and/or misleading statements by either Houston American or Terwilliger.

As to paragraph 50, Respondents deny that they had any knowledge of false and/or misleading statements by either Houston American or Terwilliger. Respondents are without sufficient knowledge to admit or deny the allegations regarding the “repeated identical claims” and the posting of anonymous messages. Respondents admit that they posted links to either Undiscovered Equities’ “Top 10 List for 2009” or “Top 10 List for 2010” These links directed the message board followers/participants back to those top ten lists contained on the Undiscovered Equities’ website, which included a listing of ten (10) different companies. Houston American was included in Undiscovered Equities’ “Top 10 List for 2009” and “Top 10 List for 2010”.

As to paragraph 51, Respondents admit that they disclosed that they received compensation from Houston American on their website, but deny they had any duty to indicate the specific amount of compensation. Respondents investor relations contract with Houston American included many different services, which included managing a corporate profile, conducting and arranging meetings with analysts, brokers, and other investment professionals, and also positioning the company for

business media coverage. As to the second sentence, Respondents deny that no disclosure was provided. All of the articles to the subscribers were distributed through an email system which contained a link to the detailed disclaimer. The message board posts were simply links to the Top 10 lists (for 2009 and 2010), which clearly contained the disclaimer. Respondents did not need to provide a disclaimer in the link itself. Hence, Respondents deny that the promotional articles or anonymous posts failed to disclose the fact of compensation that Undiscovered Equities received from Houston American. Respondents agree that at no time did they disclose a detailed, actual amount of compensation anywhere.

As to paragraphs 52 through 93, Respondents are without sufficient knowledge to admit or deny the allegations therein, because the allegations relate to third parties. Furthermore, no response is required because these paragraphs contain no factual allegations pertaining to Respondents.

Section II: D. Violations

To the extent that paragraphs 1 through 4 contain legal conclusions, no response is required from Respondents. To the extent that a response is required, Respondents deny those allegations. Furthermore, Furthermore, no response is required because these paragraphs contain no factual allegations pertaining to Respondents.

To the extent that paragraph 5 contains a legal conclusion, no response is required from Respondents. To the extent that a response is required, Respondents deny those allegations, and further argue that Respondents did not violate Section 17(b) of the Securities Act.

Section III:

To the extent that Section III of the Order contains legal conclusions, no response is required from Respondents. To the extent that a response is required, Respondents deny those allegations.

Furthermore, no response is required as to paragraphs A, B, and C, because these paragraphs contain no factual allegations pertaining to Respondents.

Section IV:

To the extent that Section IV of the Order contains legal conclusions, no response is required from Respondents. To the extent that a response is required, Respondents deny those allegations.

ADDITIONAL AFFIRMATIVE DEFENSES

Respondents hereby give notice that they may assert certain affirmative defenses, and in doing so, Respondents do not assume any burden of proof that would otherwise rest with the Commission. Respondents further reserve their right to assert additional defenses as the litigation proceeds.

1. The Order fails to state a claim upon which relief can be granted.
2. Respondents acted in good faith at all material times.
3. Respondents substantially complied with Section 17(b) of the Securities Act, in that they disclosed the fact that they were compensated by Houston American.
4. This administrative proceeding deprives Respondents of their right to a jury trial under the Seventh Amendment to the U.S. Constitution.
5. The Order and these proceedings deprive Respondents' due process rights under the Fifth Amendment to the U.S. Constitution, because the proceedings fail to afford an adequate opportunity to defend the charges, and seek penalties not available in an administrative forum at the time the conduct alleged in the Order was alleged to have taken place.
6. The Order and these proceedings deprive Respondents' equal protection rights under

the Fifth Amendment to the U.S. Constitution, because the Commission has selectively decided to pursue proceedings against similarly-situated individuals in federal court without a rational basis for such disparate treatment of Respondents.

7. The demand for a disgorgement in the Order is not disgorgement, but rather is a punitive attempt to “claw back” legitimately-earned compensation as a form of monetary damages against Respondents.

WHEREFORE, Respondents having answered the Order Instituting the Cease and Desist Proceedings, hereby requests that this case be dismissed in its entirety as to Respondents, with prejudice, that disgorgement not be ordered, and that this Court recognize the defenses raised herein.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]

EXHIBIT B

////// THOMAS H. DOUGHERTY, P.A. ////

Attorney at Law

THOMAS H. DOUGHERTY

[REDACTED]

Mailing Address

[REDACTED]

[REDACTED]

Email: [REDACTED]

D. Mark Cave, Esq.
Jeffrey P. Weiss, Esq.
U.S. Securities & Exchange Commission
Division of Enforcement
Via email only to: caved@sec.gov

Re: In the Matter of Houston American Energy Corp., HO-11507

Dear Messrs. Cave and Weiss:

In preparation of Mr. McKnight's voluntary off the record telephonic proffer scheduled for January 16, 2014 at 2:00, the fully executed proffer agreement accompanies this correspondence. Mr. McKnight, Mr. Dunn and Mr. Dougherty will be present in Mr. Dougherty's office listed on this letterhead at the scheduled time. This will also confirm that pursuant to Mr. Dunn and Mr. Cave's telephone conversation on January 3 regarding the categories of discussion, the SEC is desirous of hearing Mr. McKnight discussing: 1) the relationship between Houston Energy and Undiscovered Equities ("UE")(including its employees and principals), such as how the relationship started and the nature of the relationship; 2) the work UE performed in connection with its consulting agreement with Houston Energy, including detailed information about what UE did/did not do on behalf of Houston Energy, how much of the work which was done was known to Houston Energy and whether others performed services for UE in connection with the consulting agreement; and 3) the source of the information, including factual representations, which may have been distributed by UE in connection with the consulting agreement. In addition, the SEC is particularly interested (although not exclusively) in matters pertaining to the CPO 4 Block in Columbia to which Houston Energy made certain claims.

As was discussed in conversations with the SEC previously with our office, UE performed a multitude of services which exceeded the mere dissemination and/or preparation of press. For this broad range of services, Houston Energy compensated UE in cash (as opposed to stock) for its services pursuant to the consulting agreement between these parties.

PLAINTIFF'S
EXHIBIT
PX-156

In the SEC's letter to Robert Beers, Esq., dated November 22, 2013, the SEC made a preliminary determination to recommend enforcement proceedings against Mr. McKnight and UE for violations of Rule 17(b) of the Securities Act of 1933. This may have been in part due to the previous invocation of the Fifth Amendment Privilege asserted by Mr. McKnight on the suggestion of counsel during a prior deposition.

This office then discussed Mr. McKnight and UE's position with respect to the basis of the potential enforcement proceeding, which includes that Mr. McKnight and UE complied with the spirit of the Rule and disclosed compensation in all of its releases but for valid and lawful reasons not discussed between the SEC and our clients, did not disclose the specifics with respect to compensation. More importantly, however, was the fact that Mr. McKnight and UE did not have the ability to disclose specifics with respect to its compensation. In a nutshell, the Rule essentially provides that one disseminating information about the securities of an issuer must disclose the consideration paid and the amount for the dissemination of such information. As Mr. McKnight and UEs services far exceeded mere dissemination of information but rather was paid a fee for a multitude of services under the umbrella of public relations, it is impossible to allocate, nor is it reasonable to require Mr. McKnight or UE to guess at, what amount of the overall compensation was attributable to the dissemination of information. Clearly it would only be a guess, and therefore, arguably wrong to anyone wanting to challenge any such fabricated amount.

Rather than make a Wells Submission, our office, Mr. McKnight and the SEC agreed to a voluntary proffer by Mr. McKnight wherein he would discuss, telephonically, the information set for in the first paragraph of this correspondence.

Mr. McKnight and UE performed "public relations" services to Houston Energy pursuant to their consulting agreement. At the time of the engagement, Mr. McKnight had primarily followed oil and gas companies for many years. During his education into oil and gas companies, Mr. McKnight developed a network of professionals who also followed oil and gas companies. This network was developed through years of meetings, trade shows, conversations and exchange of knowledge and information with the members of this network. His network, several of with which he discussed Houston Energy, included Quantum Fund, Columbia Wagner, Morgan Stanley, Laidlaw, Ladenburg Thalmann, Canacord, Raymond James, Rockefeller, several Canadian and U.S. analysts and a host of smaller boutique institutions. Mr. McKnight also regularly attended oil and gas trade shows, such as the EnerCom in Denver, Wildcatters Club and the International Petroleum Association of America. Mr. McKnight presented Houston Energy to his network and at these various trade show and organizations. Mr. McKnight also presented Houston Energy at various road shows. Mr. McKnight assisted Houston with one newsletter and the remainder were just distributions of factual claims made by Houston Energy.

Mr. McKnight also followed third parties who were also watching Houston Energy. For example, Maedel's, an Equity Market Analyst, featured Houston Energy in its March 2010 publication, Reuters reported on Houston American, Dow Jones

commented on Houston Energy, the Wall Street Journal published an article on Houston Energy, Canacord issued a recommendation of Houston Energy and the S&P issued a Quantitative Stock Report on Houston Energy. Other independent reports were also following Houston Energy. Mr. McKnight regularly followed the oil and gas industry and in particular, those that were reporting on Houston Energy and its competitors. He also accompanied Houston Energy on meetings with groups that were not part of Mr. McKnight's network.

Public relations is a broad and amorphous term which essentially included advise and assistance on making Houston Energy known to the public at large. While this included dissemination of information made available to UE from Houston Energy, it also included consulting services to the Houston Energy with respect to expanding its business interests in an effort to become more aware to the public, such as, but not limited to introductions to persons who might be desirous of effecting some type of business combination or joint venture with Houston Energy. These services also included introductions to those professionals named in the preceding paragraph and presentations of Houston Energy by UE at the trade shows and associations also listed in the preceding paragraph.

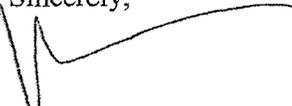
Accordingly, the services for which UE was compensated was much more than mere dissemination of information. Mr. McKnight reasonably relied on the facts as they were presented by Houston Energy. Mr. McKnight, as will be discussed, also recommended certain funding to Houston Energy which had been declined by Houston Energy, which, in hindsight, may have greatly assisted the success of the Houston Energy operations.

Much of the information referenced herein was previously furnished to the SEC pursuant to a subpoena duces tecum. Mr. McKnight may utilize some of these documents in reference to his discussions with the Commission. We will have all such documents in Mr. Dougherty's office in case the need arises to reference any of those documents by either the SEC or Mr. McKnight.

Please let us know how we will start the discussion. Will the Commission be calling Mr. Dougherty's office at 2 pm. or by some other manner?

We look forward to the opportunity to provide you the requested assistance.

Sincerely,



Thomas H. Dougherty, P.A.
Kenneth J. Dunn, Paralegal

EXHIBIT C

10-K 1 d10k.htm FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

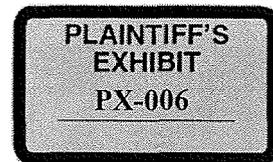


Table of Contents

Index to Financial Statements

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File No. 1-32955

HOUSTON AMERICAN ENERGY CORP.

(Exact name of registrant specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

(Address of principal executive offices)(Zip code)

Issuer's telephone number, including area code: _____

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which each is registered</u>
Common Stock, \$0.001 par value	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

EXHIBIT D

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S :

On Behalf of the Securities and Exchange
Commission:

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
100 F Street N.E.
Washington, DC 20549

BY: DAVID CAVE, Staff Attorney
JEFFREY P. WEISS, Assistant Director
Structured and New
Products Unit
Division of Enforcement

ATTORNEY FOR WITNESS:

[REDACTED]

1 the U.S. Constitution.

2 Q. Mr. McKnight, from time to time today I may
3 refer to Houston American Energy Corp. as Houston
4 American for purpose of brevity. If I refer to Houston
5 American, will you understand that I am referring to
6 Houston American Energy Corp.?

7 A. Yes.

8 Q. Mr. McKnight, is it your intention to
9 assert your Fifth Amendment rights against
10 self-incrimination with respect to any question I may
11 ask concerning Undiscovered Equities Inc.?

12 A. Yes.

13 Q. Mr. McKnight, what is KTM Consulting?

14 A. I invoke my Fifth Amendment rights under
15 the U.S. Constitution.

16 Q. What is your role with KTM Consulting?

17 A. I invoke my Fifth Amendment rights under
18 the U.S. Constitution.

19 Q. Do you operate KTM Consulting?

20 A. I invoke my Fifth Amendment rights under
21 the U.S. Constitution.

22 Q. Do you control KTM Consulting?

23 A. I invoke my Fifth Amendment rights under
24 the U.S. Constitution.

25 Q. Was Houston American ever a client of KTM

1 Q. Did the sources include potential retail
2 investors?

3 A. I invoke my Fifth Amendment rights under
4 the U.S. Constitution.

5 Q. Mr. McKnight, is it your intention to
6 assert your Fifth Amendment right against
7 self-incrimination -- I'm sorry -- to assert your Fifth
8 Amendment right against self-incrimination with respect
9 to any question I may ask concerning the consulting
10 services that Undiscovered Equities provided to Houston
11 American?

12 A. Yes.

13 Q. Mr. McKnight, part 2 of the consulting
14 agreement states that Undiscovered Equities
15 compensation shall be \$20,000 per month for a period of
16 six months, and the period as defined in the term and
17 termination clause of the consulting agreement began on
18 November 9, 2009 and terminated on May 9, 2010.

19 Pursuant to the terms of this consulting
20 agreement, did Houston American pay Undiscovered
21 Equities \$20,000 per month for a period of six months?

22 A. I invoke my Fifth Amendment rights under
23 the U.S. Constitution.

24 Q. Did Undiscovered Equities receive any other
25 compensation for services provided pursuant to this

EXHIBIT E

Armstrong, Melissa

From: Law Offices of Valentin Rodriguez, P.A. [REDACTED]
Sent: Wednesday, December 31, 2014 3:43 PM
To: Day, Alfred
Subject: RE: SEC v. Houston American Energy Corp., et al.; McKnight draft settlement papers

Mr. Day

We have run into a rather important stumbling block! We cannot agree to the terms of the Offer of Settlement.

Upon further consultation with Mr. McKnight, and based on his information in this case, and his involvement with Mr. Terwilliger, he cannot give any answers to any questions without raising his Fifth Amendment privilege against self-incrimination. Absent some sort of agreement that would completely prevent a federal or state criminal prosecution against him, Mr. McKnight must invoke his Fifth Amendment privilege with regard to any questions about his conduct in this case. We acknowledge that there is a subpoena for his presence as an SEC witness, and we will coordinate his presence, if needed, for that purpose. We also understand that other rules govern these situations, and we will address those implications next week.

I apologize that this is revealed so late in the trial preparation. Unfortunately, we will be informing the judge in this case next week that Mr. McKnight cannot defend himself in this matter, as he does not have the financial resources to attend the prolonged hearing. We understand that this results in a default, or its equivalent under SEC rules.

I will be in touch on or after January 6, 2015, as I am traveling.

Valentin Rodriguez, Esq., for Kevin McKnight.

From: Day, Alfred [<mailto:DayA@SEC.GOV>]
Sent: Tuesday, December 30, 2014 10:11 AM
To: Law Office
Cc: Cave, D. Mark; Armstrong, Melissa
Subject: RE: SEC v. Houston American Energy Corp., et al.; McKnight draft settlement papers

Val –

I am available most of the day today to follow up on our conversation. Let me know a good time to reach you, or give me a call at your convenience.

Al

From: Law Office [REDACTED]
Sent: Monday, December 29, 2014 10:31 AM
To: Day, Alfred
Subject: Re: SEC v. Houston American Energy Corp., et al.; McKnight draft settlement papers

My cell around [REDACTED]

Sent from my iPhone to expedite a response. Valentin Rodriguez P.A. [REDACTED]. If you have an emergency matter please call [REDACTED]. ☺

On Dec 29, 2014, at 10:09 AM, Day, Alfred <DayA@SEC.GOV> wrote:

Val -

Thanks for your email. Is there a time I could reach you after 11:30 but perhaps before your meeting with your client?

Al

From: Valentin Rodriguez P.A. [REDACTED]
Sent: Monday, December 29, 2014 08:30 AM Eastern Standard Time
To: Day, Alfred
Subject: Re: SEC v. Houston American Energy Corp., et al.; McKnight draft settlement papers

Thanks, I am meeting with Mr. McKnight this afternoon to discuss this. Our problem is figuring out an actual benefit he receives for admitting what is contained in the Stipulation. His main concern is the inability to pay a fine as requested. Will call you tomorrow.

This **CONFIDENTIAL** email is from:

[REDACTED]
[REDACTED]

[REDACTED]

Note: If you are not the intended recipient, please destroy and disregard. Please consider this an attorney-client privileged communication that is only intended for the recipient.

From: "Day, Alfred" <DayA@SEC.GOV>
To: [REDACTED]
Cc: "Armstrong, Melissa" <armstrongme@SEC.GOV>; "Cave, D. Mark" <CaveD@SEC.GOV>
Sent: Wednesday, December 24, 2014 2:36 PM
Subject: SEC v. Houston American Energy Corp., et al.; McKnight draft settlement papers

CONFIDENTIAL SETTLEMENT COMMUNICATION

Val,

Attached please find a draft Offer and Order of settlement, along the lines we discussed. Please review and let us know if you have questions or wish to discuss. Section III of the offer contains the draft admissions based on the allegations in the Order Instituting Proceedings. Please note that the terms and language of the

documents are subject to further internal review (i.e., there may be some additional changes to the wording) and, ultimately, Commission approval.

I will be out of the office until Monday, but will try to be check email and voicemail periodically. Please copy Melissa Armstrong or Mark Cave (copied) on any communications regarding the draft.

Thanks, and have a good holiday.

AI

Alfred Arthur Day
Assistant Chief Litigation Counsel
U.S. Securities and Exchange Commission
Tel. (202) 551-4702